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In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF INTERDIGITAL, INC., TESSERA TECHNOLOGIES, INC. AND FALLBROOK TECHNOLOGIES INC. AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

JEFFREY A. BIRCHAK
FALLBROOK TECHNOLOGIES INC.
2620 Brushy Creek Loop
Cedar Park, TX 78613
(512) 519-0305
jbirchak@fallbrooktech.com
Attorney for Amicus Curiae *Fallbrook Technologies Inc.*

RICHARD P. BRESS
Counsel of Record
GABRIEL K. BELL
MICHAEL J. GERARDI
LATHAM & WATKINS LLP
555 11th Street, NW
Suite 1000
Washington, DC 20004
(202) 637-2200
rick.bress@lw.com
Attorneys for Amici Curiae *InterDigital, Inc. and Tessera Technologies, Inc.*

Additional Counsel Listed on Inside Cover

SRIRANGA R.
VEERARAGHAVAN
TESSERA TECHNOLOGIES,
INC.
3025 Orchard Parkway
San Jose, CA 95134
(408) 321-6000

Attorney for Amicus Curiae
Tessera Technologies, Inc.

ANDREW G. ISZTWAN
INTERDIGITAL
HOLDINGS, INC.
200 Bellevue Parkway
Suite 300
Wilmington, DE 19809
(302) 281-3600

Attorney for Amicus Curiae
InterDigital, Inc.

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INTERESTS OF AMICI CURIAE

Amici are leaders in the development of technologies that drive some of the most dynamic sectors of the American economy.[1]

InterDigital, Inc. ("InterDigital"), based in Wilmington, Delaware, has been a pioneer in mobile technology and a key contributor to global wireless communication standards for over four decades. The company's patented innovations have been critical to the deployment of 2G, 3G, 4G, and IEEE 802-related wireless networks and compatible products.

Tessera Technologies, Inc. ("Tessera"), a twenty-five-year-old public technology company based in San Jose, California, researches and develops semiconductor and imaging technologies. Tessera licenses its technologies, and the patents that protect them, to others. Over 100 billion semiconductor chips have shipped with Tessera's semiconductor packaging technology, and Tessera's imaging software is embedded in more than 60 percent of global high-end smartphones.

Fallbrook Technologies Inc. ("Fallbrook"), based in Cedar Park, Texas, develops and licenses mechanical energy management solutions for the transportation industry and manufactures and sells advanced bicycle transmissions. Fallbrook's energy management

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[1] The parties have consented to the filing of this *amicus* brief. No counsel for a party authored this brief in whole or in part; and no such counsel or any party made a monetary contribution intended to fund the preparation or submission of this brief. No person or entity, other than *amici* and their counsel, made a monetary contribution intended to fund its preparation or submission.

solutions enable vehicles that can better achieve tougher future gas mileage and emissions standards.

Collectively, *amici* employ hundreds of engineers, including many with advanced degrees. They invest tens of millions of dollars annually in research and development related to their core technology areas. They have thousands of patents in their respective fields. They have seen first-hand the perverse and destabilizing effects of the Patent Trial and Appeal Board's ("PTAB") use of the "broadest reasonable interpretation" (or "broadest reasonable construction") standard. This standard departs from the test that has governed well over a century of patent validity adjudication, forces patentees to face conflicting claim construction standards in two different fora, and dramatically undermines the substantive property rights of patentees in ways never contemplated by Congress. *Amici*, therefore, have a profound interest in the first Question Presented. *See* Pet. II.

SUMMARY OF ARGUMENT

In 1836, Congress required that patents separately recite with specificity what the inventor "claim[ed]" as his or her invention. Act of July 4, 1836, ch. 357, § 6, 5 Stat. 117, 119. Those recitations of the metes and bounds of the invention are now commonly referred to as "claims." When accused infringers challenge a patent's validity in district court litigation, the patent's claims are first interpreted (or "construed") to determine their meaning to a person of ordinary skill in the art.[2]

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[2] The same standard and process also apply in International Trade Commission proceedings.

In 2011, in the America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress created an alternative (more cost-effective and efficient) litigation forum in which accused infringers can challenge the validity of issued patents: the PTAB of the United States Patent and Trademark Office ("PTO"). When it enacted regulations to govern this new litigation forum, however, the PTO departed from the longstanding practice of adjudicating a patent's validity based on the most accurate interpretation of its claim terms. Instead, the PTB required the PTAB to adjudicate a patent's validity based on the claim terms' "broadest reasonable construction." 37 C.F.R. § 42.100(b).

In the present action, Cuozzo argued that Congress never authorized the PTAB to adjudicate patent validity under an artificially broad claim construction standard that undermines legitimate patent rights. A divided panel of the Federal Circuit disagreed. The majority held that, in adopting the broadest reasonable interpretation standard for PTAB proceedings, the PTO reasonably interpreted its Congressional mandate under the AIA. Pet. App. 18a-19a (applying *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984)). The sharply divided court then denied rehearing en banc, by a 6:5 vote. *Id.* at 48a-51a.

This Court should vacate the Federal Circuit's judgment. The PTO's rule is incompatible with the adjudicative nature of the PTAB's proceedings and creates between the PTAB and the courts a double standard that whipsaws patentees, destabilizes the patent system, and weakens patent rights. The Federal Circuit's decision upholding the PTO's use of the "broadest reasonable interpretation," in lieu of the

actual meaning of the claim, is erroneous for three overarching reasons.

First, Congress intended the PTAB to serve as an alternative forum for adjudicating patent validity, and that function historically and inherently requires each patent claim to be judged by its actual meaning. Patent law distinguishes between (i) claim construction that occurs in adjudicative proceedings involving an issued patent and (ii) claim construction that occurs during the PTO's examination proceedings involving yet-to-be-issued patent applications (and related post-issuance proceedings, such as reexaminations, reissues, and interferences). In the adjudication context, the actual meaning of the claim—the "meaning that the term would have to a person of ordinary skill in the art ... at the time of the invention"—has long governed questions of both patent validity and infringement. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc), *cert. denied*, 546 U.S. 1170 (2006). During an examination, in contrast, the PTO's patent examiners give claims an artificial "broadest reasonable interpretation" to facilitate patent prosecution in a collaborative process where applicants are allowed to amend claims freely and frequently as well as propose new claims. *In re Rambus, Inc.*, 753 F.3d 1253, 1255-56 (Fed. Cir. 2014).

Although the new post-grant proceedings created by the AIA are not administered by district courts, but instead by the PTO (through the newly-created PTAB), the text, structure, and purpose of the AIA show that the process is adjudicatory in nature. The point of the new PTAB proceedings is to provide a cheaper and quicker alternative to patent litigation, not an additional opportunity for patent examination.

Consequently, the standards traditionally used in court and in this new alternative-to-court should be the same. There is no reason to assume Congress intended, when creating an alternative adjudication forum, to change the substantive standard under which the validity of issued patents has always been adjudicated.

Second, the PTO's rule requires patentees, irrationally and unfairly, to defend their patent rights in the two alternative adjudicative forums under two different and conflicting claim construction standards. As the Federal Circuit recognized just last week, under the PTO's rule, "it is possible to have two different forums construing the same term in the same patent in a dispute involving the same parties but using different standards." *PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, — F.3d ----, No. 2015-1364, 2016 WL 692369, at *5 (Fed. Cir. Feb. 22, 2016). It is highly likely that the district court and the PTAB, though considering identical claims and prior art, will adopt different constructions and reach inconsistent conclusions on patent validity.

This divergence is creating destabilizing uncertainty about the validity of patent rights, encouraging forum shopping and fostering duplicative strategic litigation on an unprecedented scale. There already have been multiple incidents of patentees (including *amicus* InterDigital) obtaining jury verdicts of patent infringement and validity in the district court under their claims' actual meanings only to be met with subsequent PTAB decisions finding the same claims invalid under the "broadest reasonable interpretation" standard.

When it established the PTAB as an alternative, more efficient forum for adjudicating patent validity, Congress did not intend to relegate the district courts to providing advisory opinions on validity and infringement based on what the claims *actually* mean as a mere warm-up to an invalidity ruling by the PTAB based on what the claims *might* mean. But this is precisely what is happening under the PTO's rule. The PTAB's use of the "broadest reasonable interpretation" fosters uncertainty and creates an inefficient and unworkable two-track system for adjudication of patent rights. It defies common sense to presume that, with the AIA, Congress intended or condoned these results. *See FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000).

Third, the PTAB's use of the "broadest reasonable interpretation" standard degrades the substantive rights of inventors in ways Congress could not have intended. When a patent is given its "broadest" possible interpretation, it is far more likely to read on prior art. *See* 35 U.S.C. §§ 102, 103 (claims invalid if anticipated by or obvious in light of prior art). Application of this standard thus invalidates legitimate patents that would survive if judged on their actual merits and eviscerates the statutory presumption of validity that attaches to issued patents. *See id.* § 282(a). It also creates a deadly Catch-22 for patentees because, while the PTAB (applying that artificially broad standard) is more likely to find a patent invalid, the district court (applying the correct, potentially narrower construction) is less likely to find the patent infringed. That heads-you-win/tails-I-lose dynamic is unfair, illogical, and contrary to of the core

principle of patent law that the same claim construction must be used for infringement and validity.

The potential consequences of the PTAB's application of the "broadest reasonable interpretation" standard are so severe that *amicus* Tessera abandoned the entire remaining term of one of its most valuable patents (directed to assemblies for manufacturing semiconductor chips) in an attempt to prevent the PTAB from applying this artificial claim construction standard to that patent, which could have vitiated a recent arbitration award based on the patent's actual meaning. *See Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 129 at 2, 2014 WL 2135965 (P.T.A.B. May 22, 2014). The willingness of parties like Tessera to forfeit their legitimate patent rights to avoid the likely effects of this artificial standard underscores the gravity of the real-world problems created by the PTO's rule.

This Court should hold that the PTAB's use of the "broadest reasonable interpretation" standard is not a reasonable implementation of the AIA and vacate the judgment below.

ARGUMENT

The PTAB's use of the "broadest reasonable interpretation" in adjudicating patent validity presumes that Congress *sub silentio* empowered the agency to (i) depart from the claim construction standard that has governed patent litigation for over a century, (ii) create a two-track system for adjudicating patent validity in which the controlling standard varies depending on the forum, and (iii) diminish patentees' legitimate property rights. Congress never intended these results.

I. THE PTO'S RULE DEPARTS FROM OVER A CENTURY OF SETTLED LAW

A. Patent Law Has Long Distinguished Between Adjudication Of Issued Patents And Examination Of Patent Applications

1. The patent claim has played a central role in defining the scope of an inventor's property rights for nearly two centuries—at least since 1836 when Congress first required patents to "particularly specify and point out" the "claim[ed]" invention. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (quoting Act of July 4, 1836, ch. 357, § 6, 5 Stat. at 119). A patent's claims are "the measure of [an inventor's] right to relief" and "nothing can be held to be an infringement which does not fall within the terms the patentee has himself chosen to express his invention." *McClain v. Ortmayer*, 141 U.S. 419, 424-25 (1891).

Because patents are directed to those skilled in the art, they are "commonly described by terms of the art ... to which they respectively belong ... requir[ing] peculiar knowledge and education to understand them aright" that would be "scarcely noticeable to a common reader." *Bischoff v. Wethered*, 76 U.S. (9 Wall.) 812, 815 (1870). Courts construing claims to adjudicate infringement and validity accordingly have long determined the "outward embodiment of the terms contained in the patent" as understood by "the mind of those expert in the art." *Id.* That historical function is reflected in the settled rule that federal courts normally give patent claim terms their "ordinary meaning ... as understood by a person of skill in the art." *Phillips*, 415 F.3d at 1314; *see also, e.g., Lakewood Eng'g Co. v. Stein*, 8 F.2d 713, 715 (6th Cir. 1925) (applying "plain, usual, and ordinary meaning" of

patent claims), *cert. denied*, 270 U.S. 661 (1926). As this Court has explained, courts must "be careful not to enlarge, by construction, the claim which the Patent Office has admitted, and which the patentee has acquiesced in, beyond the fair interpretation of its terms." *Burns v. Meyer*, 100 U.S. 671, 672 (1880).

2. In contrast, a different standard historically has applied when the PTO's patent examiners review applications to determine whether patents should issue in the first place. During examination, the PTO (or its predecessor) has long given proposed patent claims "the broadest interpretation which they will support without straining the language in which they are couched." *Podlesak v. McInnerney*, 1906 Dec. Comm'r Pat. 265, 268. In that setting, the PTO does not determine what the claims *actually* mean, only what they *might reasonably* mean. *See PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, --- F.3d ---, No. 2015-1364, 2016 WL 692369, at *5 (Fed. Cir. Feb. 22, 2016) (contrasting PTO's application of "broadest reasonable interpretation" standard with district court's "*correct* construction" (emphasis added)).

The PTO's use in that context of an artificially broad claim construction standard is driven by important differences between examination of patents (administered by the PTO) and adjudication of the validity of issued patents (traditionally presided over by federal courts). Unlike the courts, which are tasked with giving "a fixed, unambiguous, legally operative meaning to the claim," *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1377 (Fed. Cir. 2005), the primary objective of the examination process is to work with applicants and patentees "to fashion claims that are precise, clear,

correct, and unambiguous." *In re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989). That rigorous examination process provides inventors (and investors) with the assurance that issued claims are legally sound and entitled to the statutory presumption of validity. *See* 35 U.S.C. § 282. Use of the "broadest reasonable interpretation" rule in that context "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified," because the examiner will have already considered the claims under a standard that is more difficult for the patentee to overcome with respect to validity. *In re Bigio*, 381 F.3d 1320, 1324 (Fed. Cir. 2004) (citation omitted).

Use of the broadest reasonable claim interpretation during an examination is not unfair, moreover, because patent claims have always been "readily amended as part of the examination process" in order to circumvent prior art, recite eligible subject matter, and ensure an adequate written description. *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987); *see also* 37 C.F.R. § 1.114 (permitting applicant to seek "continued examination" after a final rejection to propose further amendments). The "ability to amend ... claims to avoid cited prior art distinguishes [examination] proceedings before the PTO from [adjudicative] proceedings in federal district courts on issued patents," which are adversarial in nature. *In re Yamamoto*, 740 F.2d 1569, 1571-72 (Fed. Cir. 1984) (discussing patent reexamination procedures).[3]

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[3] The patentee may also abandon an application during prosecution and file a new application (with new claims) that uses

The courts have long approved of the "broadest reasonable interpretation" standard during initial examinations precisely because the claims may be freely amended. *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A 1969) (claims given broadest reasonable interpretation during initial examination "since the applicant may then amend his claims"); *see also In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014) ("[T]he sole basis for the 'broadest reasonable interpretation' rubric is the ability to amend claims." (citation omitted)).

3. The "broadest reasonable interpretation" standard has also long been used in other proceedings administered by the PTO—reissues, reexaminations, and interferences. Pet. App. 13a-14a (collecting cases). Each of these proceedings is akin to initial examination proceedings in relevant respects and far removed from conventional district court adjudication of patent rights. In particular, like initial examinations, these proceedings provide applicants or patentees with the right to freely amend claims—or, at a minimum, provide sufficient time for an applicant or patentee to seek new claims.

a. A patentee can institute reissue proceedings to correct patents that the patentee believes are "wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent." 35 U.S.C. § 251(a). A reissue application is "examined in the same manner as"—and "subject to all the requirements of"—an initial application. 37 C.F.R. § 1.176(a). As with initial

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the written description, drawings, and filing date of the old application. *See* 35 U.S.C. § 120; 37 C.F.R. §§ 1.53(b), 1.78.

examination, a patentee in reissue proceedings can liberally amend claims, 35 U.S.C. § 251(a),[4] or file new claims entirely (in divisional or continuing applications) using the original specification, *In re Graff*, 111 F.3d 874, 876-77 (Fed. Cir. 1997). And, as with initial examination, the courts have approved application of the "broadest reasonable interpretation" standard in reissue proceedings because amendments are freely allowed in those proceedings. *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A 1981).

b. Ex parte reexamination and inter partes reexamination (the procedure replaced by IPR) are also akin to initial examination and reissue proceedings in that patentees, again, are permitted to freely amend claims. The PTO initiates reexamination upon a showing that "a substantial new question of patentability" exists in light of prior art submitted by the requesting party. 35 U.S.C. § 303(a) (ex parte reexamination); 35 U.S.C. § 312(a) (2006) (inter partes reexamination, pre-AIA). Once authorized, examination is "conducted according to the procedures established for initial examination" and the patentee may "propose *any* amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited" in the reexamination request "or in response to a decision adverse to the patentability of a claim of a patent." 35 U.S.C. § 305 (emphasis added) (ex parte

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[4] The ability to amend in reissue proceedings is nearly as liberal as in initial examinations. There are only two additional constraints in the reissue context: claims can only be broadened within two years of the patent's issuance and the patentee cannot inject "new matter" into a continuing application. 35 U.S.C. § 251(a), (d).

reexamination); 35 U.S.C. § 314 (2006) (inter partes reexamination, pre-AIA).[5] The courts, accordingly, have approved application of the "broadest reasonable interpretation" standard to reexamination proceedings as well. *In re Yamamoto*, 740 F.2d at 1571-72.

c. Interference proceedings (which no longer exist post-AIA) were used to determine who was the original inventor as between two competing patent applications (or between a patent application and an issued patent). 35 U.S.C. § 135(a) (2006) (pre-AIA). An interference could only be initiated if the parties were claiming the "same" invention. *See* 37 C.F.R. § 41.203; *see also Eli Lilly & Co. v. Bd. of Regents of the Univ. of Wash.*, 334 F.3d 1264, 1268 (Fed. Cir. 2003), *cert. denied*, 541 U.S. 968 (2004). Once that threshold requirement was established, the parties could bring a variety of "preliminary motions" to challenge the patentability of their adversary's claims (in addition to contesting which party was the first to invent). 37 C.F.R. § 1.633 (2004) (pre-AIA); *see also* Jerome Rosenstock, *Priority of Invention and the AIA* § 11.01[A] (2016). To make such determinations in an interference, the Board of Patent Appeals and Interferences (the PTAB's predecessor) construed the claims using "a variant of the broadest reasonable interpretation standard." Pet. App. 18a.

When an interference involved two co-pending patent applications, it was, in essence, nothing more than an outgrowth of the examination process. The applicant could move to amend or narrow its claims in the interference, 37 C.F.R. § 1.633(c), (i), and

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[5] Only broadening amendments are prohibited. *See* 35 U.S.C. § 305; 35 U.S.C. § 314(a) (2006) (pre-AIA).

regardless of the outcome, "[j]urisdiction over an application return[ed] to the examiner" after the interference and ex parte examination could continue as usual, Manual of Patent Examining Procedure § 2308 (9th ed. Rev. 7, Oct. 2015). Courts approved of the broadest reasonable interpretation standard in that context. *See, e.g., In re Crish*, 393 F.3d 1253, 1256 (Fed. Cir. 2004).

When an interference involved an already issued patent, a patentee could not directly amend the claims. *See* 37 C.F.R. § 1.633(c) (permitting motion to "amend[] an *application* claim," but not *issued* patent claim). But the patentee *could* pursue a reissue application to "narrow its claims" and address problems raised by the opposing party in the interference. *Bamberger v. Cheruvu*, 55 U.S.P.Q.2d 1523, 1998 WL 1669308, at *4 (B.P.A.I. Feb. 19, 1998); *see also* 37 C.F.R. § 1.633(h), (i). The Board approved the use of broadest reasonable interpretation standard in that context precisely because such narrowing was possible, and implied that, absent that ability, there would be serious concerns about applying the standard to an issued patent. *Bamberger*, 1998 WL 1669308, at *4-5.

The Federal Circuit itself never "directly" approved using the broadest reasonable interpretation standard to determine the validity of an already issued patent in an interference proceeding. Allyson E. Mackavage, *One-Off or a Sign of Things to Come?* In re Cuozzo *And the Scope of the United States Patent and Trademark Office's Rulemaking Authority*, 1115 Colum. L. Rev. Sidebar 93, 102 n.54 (2015). And its use in such circumstances was criticized well before the present controversy over IPRs. William J. Blonigan, *Road Under Construction: Administrative Claim*

Interpretations and the Path of Greater Deference from the Federal Circuit to the Patent Office, 35 AIPLA Q.J. 415, 434-36 (2007). But the ability (effectively) to amend the claims makes such proceedings more like initial examination (where the broadest reasonable interpretation standard appropriately applies) than like district court litigation (where patents are given their ordinary meaning).[6]

d. In sum, as this discussion illustrates, the broadest reasonable interpretation standard traditionally has been applied only in the initial examination process or related proceedings where an applicant or patentee can readily amend its claims to overcome any patentability problems that arise. And in those contexts the courts and PTO traditionally approved use of that standard only because such amendments were possible. The government thus rightly concedes that "the standard's applicability" in the present case turns on the degree to which "the language of the patent claim is still subject to amendment"—*i.e.*, whether the PTO's procedures are

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[6] The "bilateral" nature of an interference also makes application of the "broadest reasonable interpretation" standard more tolerable than it would be in a "unilateral" dispute over the validity of one party's patent. In an interference, there is a "check" on the process because the prevailing party's patent rights are necessarily limited by the positions it adopts to invalidate an adversary's patent. "[I]nterference proceedings are part of the public record and shed light on the meaning of the claims" at issue in the interference, much like the file history that emerges from ex parte patent prosecution. *See Phillips Petroleum Co. v. Huntsman Polymers Corp.*, 157 F.3d 866, 872 (Fed. Cir. 1998); *Ethicon Endo-Surgery, Inc. v. U.S. Surgical Corp.*, 93 F.3d 1572, 1579-81 (Fed. Cir. 1996).

"more closely analogous to initial examination ... than to district-court litigation." Opp. 12, 14.

B. Congress Created The New PTAB Proceedings As An Alternative To District Court Adjudication, Not As An Extension Of The Examination Process

In the 2011 AIA, Congress created a new body (the PTAB, within the PTO) and tasked it with new procedures for reviewing the validity of issued patents: *inter partes* review ("IPR") and post-grant review ("PGR") (collectively, "post-grant proceedings").[7] Unlike the PTO's historic patent *examination* procedures, the agency itself acknowledges that the PTAB's post-grant proceedings are "a trial, adjudicatory in nature [that] constitutes litigation"—they are "neither a patent examination nor a patent reexamination." *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper 50 at 4, 2014 WL 2863836 (P.T.A.B. Feb. 13, 2014); *see also* 37 C.F.R. § 42.100(a) ("An *inter partes* review is a trial ...."). The Federal Circuit also recognizes that "IPR may be said to be adjudicatory rather than an examination." Pet. App. 17a. With good reason. The text, structure, and purpose of the AIA demonstrate that these new post-grant proceedings are intended to be an alternative to district court litigation rather than an extension of the examination process.

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[7] The statute also provides for another form of post-grant review called "covered business method" ("CBM") review, which addresses "patent[s] that claim[] a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service." AIA § 18(d)(1).

1. The statutory text and structure establish that the PTAB's post-grant proceedings are an adjudicative substitute to district court litigation, not an additional type of examination.

First, unlike patent examination procedures, which generally are conducted *ex parte* by *patent examiners* with none of the trappings of a trial, IPR and PGR are overtly trial-like, conducted *inter partes* before a panel of *administrative patent judges* sitting on the PTAB. 35 U.S.C. § 6(a), (b)(4).[8] A party, usually an accused infringer, asks the PTAB to review the validity of a patent by filing a petition for IPR or PGR. *Id.* §§ 311, 321. The patent owner then has an opportunity to respond. *Id.* §§ 313, 323. If the PTAB grants a petition and institutes a review, a three-judge panel presides over a trial-like process involving a limited period of discovery (including depositions and expert discovery), a round of briefing, motion practice, and a trial, before it issues a final written decision. *See Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (citing H.R. Rep. No. 112-98, pt. 1, at 46-47 (2011)); *see also* 35 U.S.C. § 6(a), 316(a).

Second, unlike in patent examination (and reissue and reexamination proceedings), during the PTAB's post-grant proceedings claims cannot be "readily amended" as of right. *Burlington Indus.*, 822 F.2d at 1583. Instead, patentees are allowed "1 motion to amend the patent" by either "[c]ancel[ling] any challenged patent claim" or by "propos[ing] a

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[8] Unlike patent examiners, who are chosen primarily for their expertise in a particular field of technology, PTAB judges must be "persons of competent legal knowledge and scientific ability." 35 U.S.C. § 6(a).

reasonable number of substitute claims." 35 U.S.C. §§ 316(d)(1), 326(d)(1). And the standards for granting these motions to amend are extremely high. Under current practice at the PTAB, the patent owner has the burden "to show a patentable distinction of each proposed substitute claim over the prior art," and "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc. v. Bergstrom, Inc.*, No. IPR2012-00027 (JL), Paper 26 at 7, 2013 WL 5947697, at *4 (P.T.A.B. June 11, 2013); *see also Nike, Inc. v. Adidas AG*, — F.3d ---, 2016 WL 537609, at *20 (Fed. Cir. Feb. 11, 2016) (approving *Idle Free* standard). Additional motions are only permitted to facilitate settlement or on a showing of good cause by the patent owner. 35 U.S.C. §§ 316(d)(2), 326(d)(2).

In practice, amendments requested during the PTAB's post-grant proceedings are rarely granted. According to one study, through December 16, 2015, the PTAB has granted *just six* motions to amend (covering thirty-one claims) in over three years of administering IPR proceedings—out of at least 80 attempted motions to amend. Harness Dickey & Pierce PLC, *Harnessing Patent Office Litigation* at 2 & n.4 (2016), http://ipr-pgr.com/wp-content/uploads/2016/02/IPR-PGR-Report-Vol.-12.pdf; Fitzpatrick, Cella, Harper & Scinto, *Just the Stats: IPR: Decisions on Requests to Amend the Claims*, Post-Grant HQ (June 30, 2015), http://www.postgranthq.com/statistics/ipr-decisions-on-requests-to-amend-the-claims/. This is nothing like the collaborative examination process, where claims can be freely amended as of right in an iterative process with responsive feedback provided by

the patent examiner to ensure that they satisfy the patentability requirements.

Also, because IPRs have statutorily imposed time limits (one year from institution, subject to one six-month extension for good cause), there is little ability, as a practical matter, to pursue new claims through separate applications or reissue proceedings (which can take years). *See* 35 U.S.C. § 316(a)(11) (time limit on IPRs); 37 C.F.R. § 42.100(c) (same); U.S. Patent and Trademark Office, *Ex Parte Reexamination Filing Data* at 1 (Sept. 2014), http://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up_EOY2014.pdf (ex parte reexaminations average 22.3 months); Edmund J. Walsh & Stuart V.C. Duncan Smith, *Saving Patents from Inter Partes Review with Reissue*, 90 P.T.C.J. 2108 (May 22, 2015) (reissues average 3.5 years). An IPR will virtually always conclude before any such parallel proceedings are complete. In fact, in an IPR, the PTAB has the authority to stay parallel PTO proceedings that involve the same patent (such as reissues or reexaminations), to avoid conflicting results. 35 U.S.C. § 315(d); 37 C.F.R. § 42.3(a); *see also, e.g.*, *Hewlett-Packard Co. v. MCM Portfolio LLC*, IPR2013-00217, Paper 8, 2013 WL 8701596 (P.T.A.B. May 10, 2013) (staying reissue pending IPR); *Ford Motor Co. v. Signal IP, Inc.*, IPR2015-00860, -00861, Paper 11 (P.T.A.B. Oct. 1, 2015) (staying reexamination pending motion to consolidate reexamination with IPR).

Third, the AIA includes certain estoppel provisions that further demonstrate Congress's intent for the PTAB proceedings to be an alternative to district court adjudication. For example, an accused infringer is barred from filing a petition to initiate post-grant

proceedings in the PTAB if it has already filed a declaratory judgment action for invalidity in district court, and the district court is required to stay any declaratory judgment action filed after a petition to initiate post-grant proceedings is filed. 35 U.S.C. §§ 315(a)(1)-(2), 325(a)(1)-(2). Also, if an accused infringer fails to raise a ground of patentability in its petition that could have been raised, it is estopped from relying on that ground in any subsequent district court proceeding. *Id.* §§ 315(e)(2), 325(e)(2). The reason Congress sought to eliminate duplication is that, when addressing disputes over patent validity, Congress intended that the PTAB and the courts would be performing the same function.

2. The legislative history confirms that Congress intended the PTAB's procedures to substitute for district court validity litigation. The House Report on the AIA emphasizes that the PTAB's post-grant proceedings were intended to "provid[e] quick and cost effective alternatives to litigation" and would take place "in a court-like proceeding." H.R. Rep. No. 112-98, pt. 1, at 48, 68. The primary Senate sponsor of the legislation similarly explained that the purpose of the new proceedings is to "decrease[] the likelihood of expensive litigation" by "creat[ing] a less costly, in-house administrative alternative to review patent validity claims." 157 Cong. Rec. S1111 (daily ed. Mar. 2, 2011) (statement of Sen. Leahy, Exhibit 1).

In addition, prior to the AIA, the PTO administered an "inter partes reexamination" proceeding that was similar to traditional "ex parte" reexamination before a patent examiner. According to the House Report, the intent of the AIA was to "convert[]" this reexamination proceeding "to an *adjudicative* proceeding." H.R. Rep.

No. 112-98, pt. 1, at 46 (emphasis added); *see also* 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (explaining "the shift from an examinational to an adjudicative model.").

Thus, the text, structure, and legislative history of the AIA demonstrate that Congress established the PTAB as a "far-reaching surrogate" for "adjudication of patent validity comparable to that of the district courts, where validity is determined on the legally correct claim construction." Pet. App. 32a, 31a (Newman, J., dissenting).

3. Empirical research bears out Congress's vision of IPR as an "alternative" to district court litigation. According to one study, about 70 percent of IPR petitions are brought by defendants in patent litigation seeking to challenge the validity of issued patents. Saruabh Vishnubhakat, Arti K. Rai, & Jay P Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. (forthcoming 2016) (manuscript at 5). As Congress intended, accused infringers are initiating post-grant proceedings in the PTAB as an "alternative" to litigating in district court.

C. Congress Did Not Empower The PTO To Depart From The Traditional Standard For Adjudicating Patent Validity

In concluding that the "broadest reasonable interpretation" standard should apply to the PTAB's post-grant proceedings, the Federal Circuit found "no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years." Pet. App. 15a. That rationale fails to appreciate Congress's intent to have the PTO (through the PTAB) take on a function entirely different from the functions served by its historical examination proceedings. Because Congress created the PTAB and its post-grant proceedings as an alternative *adjudicative* forum, the question the Federal Circuit should have addressed (but did not) is whether "the AIA was designed to change the claim construction standard that [the *courts*] ha[ve] applied for more than 100 years." And the answer is no. There is no indication that the AIA was designed to undermine over a century of settled law.

The Federal Circuit, relying on one ambiguous statement by a single Senator, determined that Congress "was well aware that the broadest reasonable interpretation standard was the prevailing rule" at the PTO. *Id.* (discussing 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl)). It then applied the principle that "Congress is presumed to legislate against the background of ... existing law." *Id.* Although it stated the correct legal principle, the Federal Circuit erred in concluding that Congress intended for the traditional standard for *examination* rather than the traditional standard for *adjudication* to

govern the new process for adjudicating issued patents established by the AIA.

Contrary to the Federal Circuit majority's analysis, to the extent Congress was aware of the standard historically guiding examination, it undoubtedly was equally well-aware of the standard historically guiding adjudicative proceedings: for over a century, courts had determined the validity of issued patents based on the actual meaning of the claims to one of skill in the art. *See supra* at 7-8. And, as discussed, the text, structure, and legislative history of the AIA all confirm that Congress created the PTAB's post-grant proceedings to provide an alternative adjudicative forum for parties accused of patent infringement. Contrary to the Federal Circuit majority's view, it is far more likely that Congress intended the new adjudicative proceedings to adhere to the actual-meaning standard that has long and consistently applied to patent adjudications. *See* Vishnubhakat, *supra*, at 5 (same claim construction standard should apply for IPRs to be a true "substitute" to district court litigation as Congress intended). It is unreasonable to presume that, in creating an alternative adjudicative forum, Congress *sub silentio* empowered the PTO to abandon the standard for determining patent validity that has governed patent adjudications for over a century. *See FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000).[9]

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[9] In addition, a Congress aware of the PTO standards would have recognized that the PTO applies the "broadest reasonable interpretation" only in circumstances where claims can be freely amended. When "a reexamination involves claims of an expired patent," which can no longer be amended, the PTO has long applied the same narrower claim construction standard employed

II. THE PTO'S RULE INTRODUCES INEFFICIENCY AND INSTABILITY BY CREATING CONFLICTING STANDARDS FOR ADJUDICATING PATENT VALIDITY

The PTO's adoption of an artificially broad construction standard for adjudicating patent validity in the PTAB has had immediate and destabilizing effects that Congress could not have intended. It creates an unworkable system in which supposedly "alternative" forums systematically reach contradictory conclusions about the validity of the same patents. Far from encouraging faster and more efficient adjudication of patent validity in a single streamlined proceeding before the agency, as Congress intended, *see supra* at 19-20, use by the PTAB of the "broadest reasonable interpretation" system has "enhanced" duplicative litigation by accused infringers eager to secure a tactical advantage. Pet. App. 64a-65a (Newman, J., dissenting from denial of rehearing en banc). In several instances already, patent owners have obtained jury verdicts of validity and infringement in district court under the correct construction of their claims, only to be met with subsequent PTAB decisions finding the same claims invalid under the "broadest reasonable interpretation" standard.

1. For example, in 2013, InterDigital (one of the *amici*) brought suit in district court for infringement of certain cellular networking technology patents. *InterDigital Commc'ns Inc. v. ZTE Corp.*, No. 1:13-cv-00009-RGA (D. Del.). The district court construed

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by the courts. *In re Rambus*, 753 F.3d at 1256; *see also* Manual of Patent Examining Procedure § 2258(I)(G).

InterDigital's asserted patent claims based on what they mean to a person of ordinary skill in the art. *Id.*, ECF Nos. 253, 260, 413. On October 28, 2014, a jury found that certain claims of U.S. Patent No. 8,380,244 ("'244 patent") were infringed and not invalid (*i.e.*, not anticipated or obvious in light of prior art). *Id.*, ECF No. 431 at 4, 7.

In parallel, the accused infringer filed an IPR petition in the PTAB challenging the '244 patent as invalid over the same prior art. *ZTE Corp. v. InterDigital Tech. Corp*, IPR2014-00525, Paper 1, 2014 WL 1159058 (P.T.A.B. Mar. 21, 2014). The PTAB instituted review, *Id.*, Paper 19, 2014 WL 4715525 (P.T.A.B. Sept. 17, 2014), and, on September 14, 2015—nearly a year after the jury verdict for InterDigital—the PTAB found the '244 patent claims invalid on the very same grounds that the jury rejected. *Id.*, Paper 48, 2014 WL 10405879 (P.T.A.B. Sept. 14, 2015) (correct date of decision noted on PTAB public electronic docket). In doing so, the PTAB applied what it found to be the "broadest reasonable interpretation" of the claims—expressly acknowledging that it was applying a different and broader claim construction standard than the district court had applied. *Id.* at 10-13 & n.4, 2014 WL 10405879, at *6-8 & n.4.

2. The travails of another innovative company, Ultratec, made national headlines after the PTAB ruled invalid Ultratec patents that a district court jury had found valid and infringed to the tune of $44 million. Peter J. Pitts, *'Patent Death Squads' vs. Innovation*, Wall St. J., June 10, 2015, http://www.wsj.com/articles/patent-death-squads-vs-innovation-1433978591. In 2013, Ultratec, a small, privately held firm that manufactures captioned phones for the deaf and hard of

hearing, sued a competitor for infringing several Ultratec patents. *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 3:13-cv-00346-bbc (W.D. Wis.). On August 28, 2014, the district court construed various disputed terms and rejected summary judgment on patent validity grounds, *id.*, 45 F Supp. 3d 881 (W.D. Wis. 2014), and, in October 2014, the jury found the asserted patents valid and infringed, and awarded Ultratec $44.1 million, *id.*, ECF Nos. 658, 682.

After being sued, the accused infringer filed several IPR petitions asserting that Ultratec's asserted patent claims were invalid. *See id.*, ECF No. 48 at 2. The PTAB instituted review, *see id.*, ECF No. 196 at 1 & n.1, and, on March 3, 2015, found invalid the same asserted claims that the jury had found valid and infringed, *id.*, ECF No. 876 at 1-2. In doing so, the PTAB considered the purportedly "broadest reasonable interpretation" of the critical claim terms, instead of assessing the claims' validity under their actual meaning, as the district court had done. *Compare id.*, 45 F Supp. 3d at 895-902, 915-19, *with CaptionCall, L.L.C. v. Ultratec, Inc.*, IPR2013-00540, Paper 78 at 5-8, 26-27, 2015 WL 1263028, at *3-5, *15 (P.T.A.B. Mar. 3, 2015).

After the PTAB's decisions, the district court stayed resolution of post-trial motions until the PTAB's ruling becomes final through appeal, *id.*, ECF No. 876 at 11, and the Federal Circuit rejected Ultratec's efforts to vacate the stay, *Ultratec, Inc. v. CaptionCall, LLC*, 611 F App'x 720, 722-23 (Fed. Cir. 2015). Ultratec must attempt to reverse on appeal the PTAB's invalidity ruling based on the PTAB's artificially broad claim construction in order to preserve the verdict of infringement and validity that

the jury already rendered based on the claims' actual meaning.

3. The situations InterDigital and Ultratec face are not unique. The PTAB has frequently disregarded the claim construction of a district court or the Federal Circuit because it was not the "broadest reasonable interpretation" of the claims. *See, e.g., Seagate Tech. (US) Holdings, Inc. v, Enova Tech. Corp.*, IPR2014-00683, Paper 47 at 13-14, 2015 WL 5170256, at *9 (P.T.A.B. Sept. 2, 2015); *Google Inc. v. ContentGuard Holdings, Inc.*, CBM2015-00040, Paper 9 at 20-21, 2015 WL 3920037, at *12 (P.T.A.B. June 24, 2015); *Microsoft Corp. v. VirnetX Inc.*, IPR2014-00612, -00613, -00614, Paper 9 at 6-13, 2014 WL 5320530, at *4-8 (P.T.A.B. Oct. 15, 2014), *modified on rehearing on other grounds*, Paper 12, 2014 WL 5840667 (P.T.A.B. Oct. 30, 2014). Also, last October, the PTAB found invalid two hybrid vehicle technology patents that a jury found valid and infringed just days later. *See* Kurt Orzeck, *Paice Wins $29M In Hybrid Tech Spat With Hyundai, Kia*, Law360 (Oct. 5, 2015), http://www.law360.com/articles/711064/paice-wins-29m-in-hybrid-tech-spat-with-hyundai-kia. And the Federal Circuit has already encountered multiple cases in which the PTAB reached a different conclusion on validity from the district court. *Smartflash LLC v. Apple Inc.*, 621 F App'x 995, 1006 (Fed. Cir. 2015); *Versata Software, Inc. v. SAP Am., Inc.*, No. 2:07cv153-RSP, 2014 WL 1600327, at *2 (E.D. Tex. Apr. 21, 2014), *aff'd sub nom. Versata Computer Indus. Solutions, Inc. v. SAP AG*, 564 F App'x 600, 600-01 (Fed. Cir. 2014). These cases are the tip of the iceberg. As the volume of PTAB cases increases, such contradictory rulings, driven by the

conflicting claim construction standards, will be a mainstay of the patent system.

There is no sound reason (certainly none rooted in the text or history of the AIA) to presume that, while district courts continue assessing patent validity based on what the patent claims *actually* mean, Congress empowered the PTAB to invalidate claims based on what the claims *might* mean, creating a two-track system with conflicting standards and destabilizing uncertainty. Congress is not presumed to intend or condone such anomalous results. *See Brown & Williamson Tobacco Corp.*, 529 U.S. at 133.

III. THE PTO'S RULE UNDERMINES PATENTEES' LEGITIMATE PROPERTY RIGHTS

The PTO's "broadest reasonable interpretation" standard for PTAB post-grant proceedings diminishes the substantive rights of inventors in ways that Congress never intended.

First, the PTO's rule weakens Congress's statutory guarantee that "[a] patent shall be presumed valid." 35 U.S.C. § 282(a). In a district court action, an accused infringer can overcome the statutory presumption of validity only by proving that the claims, as *correctly* construed, are invalid over prior art "by clear and convincing evidence." *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011). In the PTAB, because claims are instead given their "broadest reasonable interpretation,"they are more likely to be found invalid (anticipated or obvious) in light of prior art. *See* 35 U.S.C. §§ 102, 103. By refusing to accord patentees an accurate characterization of the metes and bounds of their claims when deciding their validity,

and instead saddling them with artificially broad claim constructions that are more likely to read on prior art, the PTAB's rule undercuts Congress's statutory guarantees and diminishes patentees' substantive property rights. *See* Pet. App. 56a (Prost, C.J., dissenting from denial of rehearing en banc) (PTO's rule "violate[s] the bargain the patentee struck with the public").

Second, the PTO's rule gives accused infringers two bites at the apple to avoid liability in two different forums under two different standards, violating the well-established principle that "claims must be interpreted and given the same meaning for purposes of both validity and infringement analyses." *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988); *see also Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1351 (Fed. Cir. 2001) ("A patent may not, like a 'nose of wax,' be twisted one way [for purposes of validity] and another [for infringement]." (citation omitted)). In district court litigation, an accused infringer benefits from the court's narrower (correct) construction, under which it is easier to show non-infringement. Then, in a parallel PTAB challenge to the patent's validity, the accused infringer benefits from the PTAB's broader (hypothetical) construction, under which it is easier to show invalidity. The accused infringer gets the best of both worlds and the patentee gets the best of neither. There is no evidence that Congress intended to put patentees at such an acute and unfair disadvantage.

The practical impact on patentees' property is sufficiently serious that Tessera (one of the *amici*) was willing to abandon the remaining term of one of its

most valuable patents directed to assemblies for manufacturing semiconductor chips to avoid the application of the broadest reasonable interpretation standard in proceedings before the PTAB. Tessera brought arbitration claims alleging that its former licensee Amkor failed to pay royalties for its use of Tessera patents, as required by a patent licensing agreement. *See Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 98 at 3, 2014 WL 2864151 (P.T.A.B. Jan. 31, 2014). The arbitrators, among other things, found that Amkor owed Tessera royalties for using Tessera's U.S. Patent No. 6,046,076 ("'076 patent"), and rejected Amkor's validity challenge to the '076 patent. *Id.* at 4; *id.*, Paper 37 at 14, 2013 WL 5653117 at *7 (P.T.A.B. Oct. 11, 2013). The arbitrators awarded Tessera $128 million, and a California appeals court affirmed the award in November 2014. *Amkor Tech., Inc. v. Tessera, Inc.*, No. A139596, 2014 WL 6677363 (Cal. Ct. App. Nov. 25, 2014); Michael Lipkin, *Tessera's $128M IP Arbitration Award Upheld By Calif. Court*, Law360 (Nov. 25, 2014), http://www.law360.com/articles/599608.

While the arbitration proceedings were pending, however, Amkor filed an IPR petition against the '076 patent in an effort to undermine the arbitration award. The PTAB agreed to initiate review. Had the PTAB cancelled Tessera's patent in the IPR proceedings, it would not only have terminated Tessera's patent rights going forward but could also have affected the enforceability of the $128 million arbitration award for past infringement of that patent. Although the patent had not yet expired, Tessera chose to voluntarily relinquish its remaining term, forfeiting prospective royalties, by filing a terminal disclaimer—an attempt

to forestall the PTAB from assessing the patent's validity under the "broadest reasonable interpretation" standard. *Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 129 at 2, 2014 WL 2135965 (P.T.A.B. May 22, 2014); Ryan Davis, *Tessera Says Terminal Patent Disclaimer Dooms AIA Review*, Law360 (Apr. 22, 2014), http://www.law360.com/articles/530525. The filing of a terminal disclaimer is equivalent to the expiration of the patent term, and as noted above, there is no question that at least in a reexamination context, the PTO must use the narrower district court claim construction standard when a patent is expired. *See* note 9 *supra*.

Tessera's willingness to make the difficult decision to forego the remaining term on one of its most valuable patents to avoid the more likely invalidation of that patent (and the possible invalidation of its arbitration award) under the "broadest reasonable interpretation" standard highlights the extent to which the PTO's application of that artificial standard compromises the rights of patent holders.

CONCLUSION

The judgment below should be vacated and the case remanded for further consideration.

Respectfully submitted,

JEFFREY A. BIRCHAK
FALLBROOK
TECHNOLOGIES INC.
2620 Brushy Creek Loop
Cedar Park, TX 78613
(512) 519-0305
jbirchak@fallbrooktech.com
Attorney for Amicus Curiae
Fallbrook Technologies Inc.

SRIRANGA R.
VEERARAGHAVAN
TESSERA TECHNOLOGIES,
INC.
3025 Orchard Parkway
San Jose, CA 95134
(408) 321-6000
Attorney for Amicus Curiae
Tessera Technologies, Inc.

RICHARD P BRESS
Counsel of Record
GABRIEL K. BELL
MICHAEL J. GERARDI
LATHAM & WATKINS LLP
555 11th Street, NW
Suite 1000
Washington, DC 20004
(202) 637-2200
rick.bress@lw.com
Attorneys for
Amici Curiae
InterDigital, Inc. and
Tessera Technologies, Inc.

ANDREW G. ISZTWAN
INTERDIGITAL
HOLDINGS, INC.
200 Bellevue Parkway
Suite 300
Wilmington, DE 19809
(302) 281-3600

Attorney for Amicus
Curiae *InterDigital, Inc.*

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